For Immediate Release

Council to Consider Heer's Financing

At its August 23 meeting, the Springfield City Council will conduct a public hearing on a resolution outlining the City’s participation in the Heer’s building redevelopment plan. This resolution presents for Council’s consideration a Term Sheet and Summary of Financing Plan for the project. The Term Sheet is the framework for financing the redevelopment of Heer’s and is presented to City Council as an interim step in order to determine the sense of Council in moving forward with these terms. If adopted, staff will work with the developer and the other financing entities to finalize the financing details. The project will then be brought back to Council for final approval.

The City executed a Development Agreement with developer Kevin McGowan in August 2007 and subsequently amended the agreement in 2008. The economic recession and resulting tight financing market has led to changes in Mr. McGowan’s plans for the building, but the City has remained supportive of the project throughout. The proposed Term Sheet outlines modifications to the original financing plan.

The City of Springfield does not own the Heer’s building. McGowan purchased the property from the City for $3 million in 2007. The City is under no obligation to repurchase the building under any circumstances. Mr. McGowan is the sole owner of the property and has worked for more than three years to realize the revitalization of this historic downtown landmark. The current plan for the building calls for:

- 63 market rate apartments
- Rooftop pool and deck
- Common study den
- Fitness center
- High-speed Internet access
- Indoor parking
- Security system
- 33,000 square feet net rentable commercial space
- Mike Shannon's Steak and Seafood restaurant
- Banquet space
- Bowling alley, bar and restaurant

The majority of funding for the planned project will come from the Department of Housing and Urban Development in the form of an $11.8 million Federal Housing Authority loan guarantee for market rate apartments. Other sources include Federal Historic Tax Credits ($5.1 million); State Historic Tax Credits ($4.93 million); the developer’s contribution ($4.4 million); a Small Business Development Loan from the City ($2 million) and a loan from the Missouri Development Finance Board that will be “passed through” the City ($1 million).

The City of Springfield’s participation in the plan includes:

- Amend the existing Community Improvement District first outlined in the August 2007 agreement, which levies a 1 percent sales and use tax, or terminate the existing CID and establish a new CID.
- Establish a Tax Increment Financing District as outlined in the August 2007 agreement. The TIF District would capture 100 percent of the incremental increase in property taxes
and 50 percent of the incremental increase in sales taxes. McGowan contractually agrees to a fixed PILOT (payment in lieu of taxes) that will cover at least 70 percent of the City/MDFB debt service and to not protest property valuations so long as they do not exceed the PILOT payment schedule. The remainder of the debt service will be repaid from sales taxes generated at the development.

- Loan $2 million from the Small Business Development Program with a 23-year term at 5 percent interest, to be repaid from TIF and CID revenues generated at Heer’s.
- Request the Missouri Development Finance Board’s participation on behalf of the Heer’s project by loaning the City $1 million that the City will loan to the developer, also with a 23-year term at 5 percent interest. This loan will be limited recourse to the City of Springfield, with repayments limited to TIF and CID revenues.
- Request the Missouri Development Finance Board assist in the collateralization of the state historic tax credit bridge loan.

Given economic times, the developer and the City have agreed to conservative assumptions for revenue projection.

The developer’s final application to HUD is due October 6, 2010. If approved by all parties involved, concurrent closing on all financing would occur on or about March 1, 2011, with a project completion date 14 months after closing.

“I appreciate the willingness on the part of the City Council and the citizens of Springfield to stick by my vision for the Heer’s building,” Kevin McGowan said. “This road has been longer than most imagined, and there are still a few miles left to go. Springfield, and the downtown community in particular, has been patient. I continue to believe the wait will be well worth it.”

“Over the past 25 years of participating in and observing municipal government in Springfield, I’ve been very proud to see the economic development that has resulted from our Small Business Loan Program,” said Mayor Jim O’Neal. “At a time when traditional demand for those loans is down, I believe the Heer’s building presents a great opportunity to put that funding to use in a project that will be a catalyst for further investment in Springfield.”

The Heer’s building opened in 1915 as the home of Heer’s Dry Goods Co., one of the Ozarks’ premiere shopping destinations. The building saw an expansion in 1951 and a major renovation in 1969 when a glass exterior was added in an attempt to modernize the building. Heer’s closed for business in 1995 and the building has not been in use since. The glass exterior was removed in the early 2000s. The structure is seen as a lynchpin of downtown revitalization due to its size, historic character and location on Park Central Square.

For more information, contact: Mary Lilly Smith, Economic Development Director, (417) 864-1094.